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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 02545-85
17 May 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Graham E. Fuller
National Intelligence Officer for NESA

SUBJECT: Toward a Policy on Iran

1. The US faces a grim situation in developing a new policy toward Iran. Events are moving largely against our interests and we have few palatable alternatives. In bluntest form, the Khomeini regime is faltering and may be moving toward a moment of truth; we will soon see a struggle for succession. The US has almost no cards to play; the USSR has many. Iran has obviously concluded that whether they like Russia and Communism or not, the USSR is the country to come to terms with: the USSR can both hurt and help Iran more than the US can. Our urgent need is to develop a broad spectrum of policy moves designed to give us some leverage in the race for influence in Tehran.

-- The specter of the US and the USSR standing on the same side of a major international strategic conflict, like the Gulf war, is extraordinary. It is also an unstable situation and cannot persist for long. We are both on Iraq's side because we lack our preferred access to Iran. Whoever gets there first is in a strong position to work towards the exclusion of the other.

-- Our intelligence continues to monitor Soviet progress toward developing significant leverage in Tehran. We must monitor that progress--but we also already know where Moscow wants to go and that it will devote major resources to claiming this important prize. Even if Moscow's progress is uneven, we need to develop a strategy in response.

2. The Twin Pillars of US Policy. US policy at present comes down to two major pillars.

-- We will respond with force directly if Iran should undertake another terrorist outrage against the US.

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-- We seek to choke off all arms supplies to Tehran wherever possible.

3. Terrorist Attack: We can and must have some policy against terrorism. We must also recognize that this cannot repesent the bulk of our policy toward Iran. Furthermore, radical forces in Tehran may welcome a direct confrontation with the US--including US military retaliation--in the hopes of replaying its extraordinarily successful gambit against the US in the 1979 hostage crisis.

-- During that crisis the radicals galvanized the Iranian atmosphere, polarized all views, rendered the moderates irrelevant, and proceeded to eliminate them in the supercharged atmosphere of confrontation.

These radicals may seek to do so again in the expectation of doing away with any opportunity the conservatives may have to reach accommodation with the US. Furthermore, a strike against Iranian military facilities will serve to alienate the one source which might just still be sympathetic toward the US--the regular armed forces. While we cannot allow terrorism to go unchecked, we must balance the terrorist policy against the potential stake in Iran.

4. Choking off Arms Supplies. There are good reasons to seek to choke off Soviet arms supplies to Iran. It may be one way of bringing an end to the war which only Iran seeks to perpetuate. If the embargo is successful, however, it could also have the effect of driving Iran into a corner where the Soviets will be the only option left.

-- We first raised (about 18 months ago,) this theoretical possibility of Soviet opportunity stemming from the US arms embargo. The possibility is no longer theoretical. Iran has, in fact, now begun moving toward some accommodation with the USSR. Meanwhile, the USSR can afford to play it cool and set its own terms, relatively confident that the US cannot steal a march on it.

5. These two pillars of US policy--both sensible while Iran was in a vacuum and Khomeini was strong--can no longer serve as the primary vehicle for US policy toward Iran. Both are entirely negative in nature and may now serve to facilitate Soviet interests more than our own. We must develop a more positive set of plans involving a much broader spectrum of considerations and actions.

-- It is easy to criticize our present position, and I do not mean to suggest that any easy answers exist. It is imperative, however, that we perhaps think in terms of a bolder--and perhaps

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slightly riskier policy which will at least ensure greater US voice in the unfolding situation. Right now--unless we are very lucky indeed--we stand to gain nothing, and lose more, in the outcome of developments in Iran, which are all outside our control.

6. Some Broader Policy Considerations. Nobody has any brilliant ideas about how to get us back into Tehran. Nearly all tentative proposals require uncomfortable choices and clear-cut down sides. Nonetheless we need to review a broad spectrum of ideas. I submit below a range of thoughts, carrots and sticks,--all of which are flawed--but which might assist in sparking better and more refined positions to meet our needs.

a. Work with Iraq to bring Tehran to its knees. We could consider moving much closer to Iraq to bring the war to a quicker end--particularly by way of encouraging crippling attacks on Kharg Island and key Iranian economic facilities. This would serve to put intolerable pressure upon the regime, perhaps damaging the hardliners, maybe even leading toward the collapse of the clerics. It would probably bring the war to a de facto conclusion. Disadvantage: We have no knowledge about who would emerge victorious from such shambles; it could well be radical elements filled with hatred of the US. The radicals have most of the guns. It might ensure Tehran's rapid accommodation with Moscow.

b. Open up Iran to friendly state influence. We could tell all our European allies, as well as Israel, Turkey, Pakistan, China, Japan, Brazil and Argentina that Western influence must develop a paramount position during this critical period in Iran. We would remove all restrictions in sales--including military--to Iran. Our only proviso would be the request that truly strategic items which could immediately affect the conduct of the war be avoided. (In fact, in the short term, few items would really reverse the course of the war.) Such a step would effectively preclude Iran turning to or needing the USSR. Iran's diminished isolation might encourage the emergence of Iran's moderates into a greater policy role. Disadvantage: Possible encouragement for Iranian perpetuation of the war.

c. Go after Iran's radical allies. While direct US assault against Iran could bring about the very thing we wish to avoid, i.e. Soviet domination of Iran, direct attack on Iran's radical allies, Syria and Libya, would probably sober Iran and weaken its support from those quarters. It would be a clear blow to the "radical entente." Qadhafi in particular is a key figure.

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We have every reason in the world to want to see Qadhafi collapse. Bold US policies leading to his downfall would have chilling effect on Iran and shake its confidence that the correlation of radical forces was with them. (Pressure on Syria would have less effect and could ideally only come from Israel--which is hardly interested in a confrontation with Syria at this point.) This "indirect strategy" would demonstrate US resolve against radicalism without directly pushing Iran in the wrong direction. Unlike Iran, we have nothing to lose in Libya and everything to gain.

d. Battening down the hatches in Turkey and Pakistan. Assuming that we may be heading for a major Soviet gain in Iran, we may need to greatly step up our ties with Turkey and Pakistan. Turkey is at the heart of US ability to respond to any future Soviet military action against Iran. Both countries would be profoundly affected by an Iranian lurch in the Soviet direction. Turkey and Pakistan are the next two states high on the Soviet list for neutralization. Turkey is even more important than Pakistan because of its NATO ties, control of the Bosphorus and contiguous border with the Soviet Union. These states must be reassured that we are deeply committed to their support even if we cannot control a negative course of events in Iran.

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e. Getting the Message Through to Tehran. Most analysts believe that nearly all elements in Iran are convinced that the US is implacably hostile to the Iranian regime. In the ugly atmosphere generated by Iranian terrorism and the war, the US has felt it inappropriate to address words of reconciliation to Iran in general. There is room for such broad, public statement on a regular basis to ensure Iranian moderates--and opportunists--that we are not dedicated to the overthrow of the Islamic Republic or the collapse of Iran. This in itself helps play against the barrage of propaganda from the top Iranian leadership which wishes to portray the US as the implacable enemy. The hostage crisis is far past and anti-American mob scenes are less exhilarating for the Iranian public than they were in the heady days of the new Republic.

f. Massive reassurance to Iran of US intentions. Mere words may not be enough to change the tide of moderate opinion and belief in Iran about the US. We could reemphasize this issue strongly if coupled with demonstrations of goodwill through withdrawal of the Sixth Fleet from the vicinity of the Persian Gulf and placing the US military presence in the Gulf on very low

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profile. Disadvantage: We might persuade Iranian radicals that we had given up, or were paper tigers, or both. Our Arab allies might lose confidence. On the other hand, such gestures could be quickly revoked if Iran itself were not forthcoming or if the danger level rose. In any case, there are major benefits in making a series of positive gestures toward Iran indicating basic goodwill--even if not immediately reciprocated by Iran. The non-radicals will get the message.

g. Bargaining with the USSR. We have little leverage here. However, the USSR in its public statements constantly stress that the US is bent on placing Pershing missiles in Israel, Pakistan and Turkey. In theory these are bargaining chips which could be "given away" at no cost in exchange for some "understanding" over Iran. The main problem is that we can hardly warn the Soviets against establishing better ties with Tehran, or even supplying arms to Tehran. These are not belligerent acts in and of themselves and our major problem in Iran is not Soviet invasion but rather support to radical forces who might move the country closer to Moscow.

7. On reflection I believe that the option most constructively oriented is that of inserting Western allies and friends into Tehran quickly through the arms door. It would meet with broad support by all of them and is a "positive" policy. The Arabs will be less happy--especially Iraq. But most Gulf Arabs want a de-fanged Iran and would not object to better Western ties in Tehran if it leads to moderation.

-- The risk of perpetuating the war is there. But the Western card is easily undertaken and can be coupled with other US positive gestures discussed above. We need not rule out sticks--especially those against Iranian allies like Qadhafi. Diminished political, economic, and military isolation could have much positive effect on a shaky Tehran regime--especially if some quid pro quo was sought from Iran by our allies in moving into Iran in a big way.

8. Our tilt to Iraq was timely when Iraq was against the ropes and the Islamic revolution was on a roll. The time may now have come to tilt back--at least via our allies--to ensure the Soviets lose both attraction and potential access to the clergy.

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